GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:173
ANSWERED ON:16.11.2007
LOAN TO FARMERS ARTISANS
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Will the Minister of FINANCE be pleased to state:

(a) whether banks are mandated to advance loans to farmers/artisans, including Self-help Groups at reduced rate of interest;

(b) whether certain banks have not even made a single such advance;

(c) if so, the details thereof;

(d) whether the loans for cars and other luxury items are freely extended by the banks at rates lower than the rate at which the loan is extended to the farmers/artisans and other poor customers;

(e) if so, the details thereof; and

(f) the action taken by the Government in this regard ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (f) : As per the extant interest rate policy of Reserve bank of India (RBI), interest rates on loans given by commercial banks (including loans granted to farm sector) have been deregulated, except that the interest rate on loans up to Rs.2 lakh should not exceed the Benchmark Prime Lending Rate (BPLR) of the banks concerned. Commercial banks are, therefore, free to decide their lending rates on loans above Rs. 2 lakh subject to the announcement of BPLR. Banks are also free to lend at sub-BPLR rates to creditworthy borrowers based on an objective and transparent policy, subject to the approval of their Boards. Banks decide their BPLR by taking into account, inter alia, their cost of funds, transaction cost and risk cost. As regards Regional Rural Banks (RRBs) and Co-operative Banks too, the interest rates on loans have been completely deregulated.

The information relating to interest rate on term loans to agriculture related activities in comparison with term loans for small business/enterprises relating to rural non farm sector activities has been collected on a sample basis from a few Cooperative Banks and RRBs. The analysis of this information reveals that the rate of interest on agriculture term loans range between 10% - 14.25 % per annum, while that for Business loan ranges between 10% to 16.5% per annum. In some of the States the Governments are providing interest subvention on agriculture loan and hence these rates are lower.

To reduce the burden of interest on Crop Loans availed by farmers for Kharif and Rabi 2005-06, an amount equal to two percentage points of the borrower's liability on the principal amount upto Rs.1,00,000/- each was credited to their account. Thereafter, from Kharif 2006, to ensure that the farmer receives Short-Term Production Credit at 7% with an upper limit of Rs.3 lacs on the principal amount, the Government is providing interest subvention of 2% per annum to Public Sector Banks, Regional Rural Banks(RRBs) and Cooperative Banks on their lending from their own resources and refinance at concessional rates to cooperative banks and RRBs on their borrowings from NABARD.

Annex.

State-wise Ground Level Credit (GLC) disbursements under agriculture and allied activities

(Rs. Lakh)

Sr.No.	Name of the State/UTs	2003-2004	2004-2005	2005-2006
1	Chandigarh	37245	90803	162231
2	New Delhi	242367	388227	1307623
3	Haryana	628620	864028	1084743
4	Himachal Pradesh	38232	61581	95482
5	Jammu & Kashmir	6619	11184	90545
6	Punjab	914790	1279416	1547980
7	Rajasthan	313996	517225	756234
	Northern Region	2181869	3212464	5044838
8	Arunachal Pradesh	390	1257	1337
9	Assam	19129	26724	66332

10 Manipur 580 1923 5766
11 Meghalaya 5184 2474 5657
12 Mizoram 544 2019 2432
13 Nagaland 742 1978 2402
14 Tripura 3000 3817 8476
15 Sikkim 425 541 1169
North Eastern Region 29994 40733 93571
16 Bihar 142172 181726 212458
17 Jharkhand 21461 40739 50588
18 Orissa 127778 198549 312919
19 West Bengal 212944 302168 644134
20 Andaman & Nicobar 385 587 1528
Eastern Region 504740 723769 1221627
21 Madhya Pradesh 342935 529344 690396
22 Chattisgarh 52377 78740 123321
23 Uttar Pradesh 810833 1042864 1405866
24 Uttaranchal 42589 63232 93782
Central Region 1248734 1714180 2313365
25 Dadra & Nagar Haveli 0 76 158
26 Daman & Diu 0 5 40
27 Gujarat 479822 660930 1110647
28 Goa 3938 8008 13134
29 Maharashtra 528487 742083 1493814
Western Region 1012247 1411102 2617793
30 Andhra Pradesh 1001424 1349050 2050124
31 Karnataka 532600 728127 1291353
32 Kerala 377502 571229 1032413
33 Lakshadweep 78 62 115
34 Pondichery 6970 12716 23521
35 Tamil Nadu 695166 1020670 1948810
Southern Region 2613740 3681854 6346336
Others 1106755 1746835 411027
Total 8698079 12530937 18048557